

ORIGINAL



0000140516

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

GARY PIERCE, CHAIRMAN

BOB STUMP

SANDRA D. KENNEDY

PAUL NEWMAN

BRENDA BURNS

2012 NOV 19 P 4:48

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

NOV 19 2012

DOCKETED

IN THE MATTER OF THE APPLICATION  
OF MOHAVE ELECTRIC COOPERATIVE,  
INCORPORATED, AN ELECTRIC  
COOPERATIVE NONPROFIT  
MEMBERSHIP CORPORATION, FOR A  
DETERMINATION OF THE FAIR VALUE  
OF ITS PROPERTY FOR RATEMAKING  
PURPOSES, TO FIX A JUST AND  
REASONABLE RETURN THEREON AND  
TO APPROVE RATES DESIGNED TO  
DEVELOP SUCH RETURN.

DOCKET NO. E-01750A-11-0136

**COMPLIANCE FILING PURSUANT TO  
DECISION NO. 73352  
(PPFCA PLAN OF ADMINISTRATION)**

Mohave Electric Cooperative, Incorporated ("MEC") hereby submits its  
Purchased Power and Fuel Cost Adjustor ("PPFCA") Plan of Administration in compliance  
with Decision No. 73352, dated August 21, 2012 (the "Decision"), which requires this filing  
within 90 days of the Decision's effective date.

RESPECTFULLY SUBMITTED this 19<sup>th</sup> day of November, 2012.

CURTIS, GOODWIN, SULLIVAN,  
UDALL & SCHWAB, P.L.C.

By:

Michael A. Curtis  
William P. Sullivan  
501 East Thomas Road  
Phoenix, Arizona 85012-3205  
Attorneys for Mohave Electric  
Cooperative, Incorporated

1 PROOF OF AND CERTIFICATE OF MAILING

2 I hereby certify that on this 19<sup>th</sup> day of November, 2012, I caused the foregoing  
3 document to be served on the Arizona Corporation Commission by delivering the original and  
4 thirteen (13) copies of the above to:

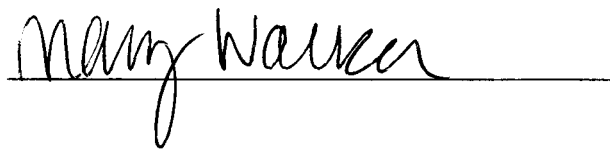
5 Docket Control  
6 Arizona Corporation Commission  
7 1200 West Washington  
8 Phoenix, Arizona 85007

9 Copy of the foregoing emailed to:

10 Dwight Nodes, ALJ  
11 Hearing Division  
12 dbroyles@azcc.gov  
13 dperson@azcc.gov

14 Bridget Humphrey, Esq.  
15 Legal Division  
16 bhumphrey@azcc.gov

17 Steve Olea  
18 Director of Utilities  
19 solea@azcc.gov

20  
21  
22  
23  
24  
25  


MOHAVE ELECTRIC COOPERATIVE INCORPORATED  
PLAN OF ADMINISTRATION FOR ITS  
PURCHASED POWER AND FUEL COST ADJUSTOR

This Plan of Administration (“POA”) relates to the administration of Mohave Electric Cooperative, Incorporated’s (“MEC”) purchased power and fuel cost adjustor (“PPFCA”) and is filed for Arizona Corporation Commission (“Commission”) approval pursuant to Decision No. 73352, dated August 21, 2012. The purpose of the POA is to describe how MEC currently administers its PPFCA and to provide MEC flexibility to adapt to changing conditions that may impact its administration of its PPFCA.

**Overview:**

MEC is an electric distribution cooperative that is member owned and managed as a not-for-profit entity. Its member-customers elect, from its membership, a nine member board of directors to set policy and oversee the management of the cooperative. Margins earned by MEC flow to patronage capital accounts of its members that are retired over a number of years, as permitted by MEC’s financial condition. Currently, MEC secures all of its power from others, with no owned generation. Approximately 90% of its non-renewable power requirements are secured through long term contracts with Arizona Electric Power Cooperative, a generation cooperative, of which MEC is a Class A member, under rates established by the Commission.

Purchased power and fuel costs are a significant component of the MEC’s cost of providing electric service to its members. The purpose of the PPFCA is to allow an electric utility to recover or refund fluctuating power supply costs between rates cases. Decision No. 73352 at p. 25.

The Commission has recognized that the distinctions between electric distribution cooperatives and investor owned utilities (“IOUs”) warrant different and less onerous regulation of a cooperative’s purchase power and fuel cost adjustor. See, e.g., Decision No. 50266, dated September 18, 1979. MEC has for decades been allowed to make adjustments to its PPFCA rate as needed without securing Commission approval.

The PPFCA Bank balance is tracked and adjustments made to the PPFCA rate as necessary to move the PPFCA Bank balance toward zero over a reasonable period of time. MEC and its members desire a predictable power cost from month to month, while avoiding an unreasonable over or under collected balance in the PPFCA “Bank”. Because of extreme temperatures in the summer and the variable seasonal cost of power, the PPFCA Bank balance can move rather significantly from month to month, but over the course of a rolling twelve (12) month period, barring any major change, such as change in costs from Mohave’s power suppliers, the PPFCA Bank balance tends to settle out without changing the PPFCA rate. This POA continues the

Commission's longstanding practice of allowing MEC to make adjustments to its PPFCA rate, up or down, as it deems appropriate to address under or over collections of the PPFCA bank balance, subject, of course, to more specific Commission orders.

**Eligible Expenses:**

Commencing September 1, 2012 expenses booked in the following Rural Utilities Service Accounts in accordance with RUS procedures and protocols shall be eligible for inclusion in MEC's PPFCA:

Account 555 (purchased power fuel costs, both demand and energy)

Account 565 (transmission of electricity by others, both firm and non-firm)

Account 547 (fuel costs for other power generation)

Account 501 (fuel costs for steam power generation, less legal fees, less fixed fuel costs except for gas reservation)

Other expenses deemed fuel related expenses under RUS accounting, but booked to other RUS Accounts, such as 557, shall not be recovered through the PPFCA.

Nothing herein shall preclude MEC from requesting the Commission authorize recovery of additional or different costs through the PPFCA, but no such costs shall be included within the PPFCA by MEC without specific Commission authorization.

**The Base Cost of Fuel:**

The Base Cost of Fuel (Authorized Base Cost) shall be established by order of the Commission. The current Authorized Base Cost is \$0.087701 of Fuel as established in Decision No. 73352 and is effective for all electricity sold on and after September 1, 2012, until adjusted by order of the Commission.

**PPCFA Rate:**

The PPFCA Rate shall be adjusted to zero effective for all electricity sold on and after September 1, 2012 until adjusted in accordance with this POA or order of the Commisison.

**PPFCA Bank Balance:**

As of September 1, 2012, the PPFCA Bank Balance is \$503.226.31 (under collected).

During the month of September 2012, in addition to accruing Eligible Expenses and revenues, the PPFCA Bank Balance shall be adjusted to remove the following:

- \$594,737.45 per Decision No. 73352
- \$91,537.43 per Staff recommendation in Docket No. E-01750A-11-0136
- \$507,655.52 for 2011 and 2012 expenditures of the type disallowed pursuant to Decision No. 73352

**Monthly Reporting:**

A monthly report together with confidential invoices for all eligible expenditures and confidential supporting schedules shall be submitted to the Utilities Division. The report shall be submitted on the forms attached hereto, or as amended from time to time by MEC with the written consent of the Director of Utilities, which amended forms shall be docketed in MEC's most recent rate case docket that has resulted in a final rate decision from the Commission. The monthly report shall be filed no later than the 15<sup>th</sup> day of the third month following the month being reported (approximately 75 days). Such delay is necessary because Western Area Power Administration consistently takes in excess of 60 days to provide MEC invoices for activity during a particular month.

**Annual Report and Adjustment:**

Each year following MEC's Board acceptance of its annual certified outside audit performed in accordance with RUS requirements, including specific review of the purchased power costs reported through the PPFCA during the audit period, MEC shall file revised year end and monthly reports to reflect all adjustments identified by the audit. The revised reports shall be clearly marked as "Revised" on the reporting forms and all adjustments shall be explained in a cover letter and footnotes to the schedules. Such adjusted reports shall be filed no later than six months after the end of the applicable audit period (June 30 for a calendar year audit).

**Monitoring and Adjustment of PPFCA Rate:**

To avoid large monthly swings in the cost of electricity sold to members, MEC management shall monitor and adjust the PPFCA Rate using the following general guidance:

- (i) Changes to the PPFCA Rate should be minimized;
- (ii) The PPFCA Bank balance should not become under or over collected in excess of \$3,700,000;
- (iii) In the event the PPFCA Bank balance does equal or exceed \$3,700,000, MEC shall make an adjustment in its PPFCA Rate in an effort to move the balance close to zero during the next twelve months;
- (iv) The level of adjustment shall be based upon a twelve month forward looking period commencing with the last period for which a monthly report was filed with the Commission; and
- (v) The prior twelve months prices and sales shall be used for the projection, adjusted for likely changes in both, provided no monthly adjustment shall be greater than percentage change for the same month a year earlier, unless based upon known and definite data (such as an approved rate change for a power supplier or a new customer load).

MEC management shall regularly review the status of the PPFCA Bank balance with the MEC Board of Directors. All adjustments to the PPFCA Rate shall be approved by the MEC Board of Directors.

**Documentation Retention:**

MEC's Board of Directors shall adopt a document retention policy identifying documentation that MEC should retain relating to its power purchases in order to facilitate review by its external auditors and the Commission. Responsibility for implementation and periodic updating of the document retention policy may be delegated to MEC management, such as MEC's Chief Financial Officer. The policy shall be presented for review to the Board of Directors not less than once every two years. The current policy is attached to this POA.

Mohave Electric Cooperative, Inc.  
For Document Retention Policy  
Power Purchases

**PURPOSE**

This policy directs the implementation of, and guidance for the documents relating to Mohave's purchased power that are to be retained for future prudency reviews conducted by the Arizona Corporation Commission. This policy establishes a protocol of data gathering. The policy shall be updated as the Chief Financial Officer deems necessary to maintain the documents as may be needed to facilitate the processing of internal and external reviews of the cooperative's purchased power practices.

**APPLICATION**

This policy and guideline applies to all Mohave personnel who are involved in the purchasing of power as well as accounting for the contracting and invoicing of power related invoices, as well as all current periodic filings being sent to the Arizona Corporation Commission.

**RESPONSIBILITY**

This policy and guideline shall be administered by the Chief Financial Officer's office. Applicability of any and all documents shall be determined by the Chief Financial Officer. All new documents related to the Policy shall first be submitted to the Chief Financial Officer's office so they can be referred on to the Document Custodian. Documents of a repetitive nature may be designated by the Chief Financial Officer to be sent directly to the Document Custodian following his initial review to ensure the form is being completed properly.

**DOCUMENT GUIDELINE**

The documents referred to below shall be considered a "living Document Guideline" to be updated as the Chief Financial Officer deems necessary to include any and all future documents that are to be maintained as part of the Document Custodian's library of cataloged forms, be they in hard copy or electronically generated, to fulfill this Policy.

**APPLICABLE TIME PERIOD**

The applicable time period in the Document Guideline shall initially be the period commencing January 1, 2011 and extending through the end of the next prudency, or other formal Arizona Corporation Commission review. A new commencement date shall be established the day following the end of each such prudency or review period, or as otherwise ordered by the Arizona Corporation Commission. The term "all" shall mean the documents in effect as of the commencement date forward, so as to include any documents from subsequent events going forth from the commencement date. Documents must be complete; meaning, if there are signature blocks those blocks must have the signatures on them; they must be executed documents where signatures are required and all attachments shall be included.

**DOCUMENT GUIDELINE**

- A. Power Supply Contracts from all providers, including Terms and Conditions, including
  - A.1 Tariffs
  - A.2 Modifications and amendments
- B. Regulatory Decisions effecting Power Supply issues, including rulings, orders, memos or other directives of the ACC, FERC or other Regulatory agencies, and Court actions; and Mohave's responses in making modifications to the AEPCO purchase power agreement.
- C. Engineering Documentation depicting Mohave's system and the points of delivery
- D. Regulatory Reporting Documents
- E. Mohave's Annual Reports to Members

- F. Mohave's Annual Audit Reports, including Management Letters
- G. Mohave's Power Supply and Risk Protocol, with all amendments
- H. Litigation documents that pertain to and retained in categories involving interventions as well as actual litigation processes.
- I. Historical reports that document what the amount of power and energy Mohave purchased from all providers.
  - I.1. Include all month by month power purchase summaries.
- J. Historical reports that document the cost of power and energy Mohave purchased from all providers.
  - J.1 Amounts in RUS Account 557.00, while prescribed by RUS accounting, are not allowed by the ACC and are not be included in computing the Purchase Power and Fuel Cost adjustor (PPFCA) bank balance.
  - J.2 Include all month by month power purchase summaries.
- K. Historical reports that document the average price of power and energy Mohave purchased from all providers.
  - K.1 Amounts in RUS Account 557.00, while prescribed by RUS accounting, are not allowed by the ACC and are not be included in computing the PPFCA adjustor bank balance.
- L. Documentation regarding power and energy purchased that Mohave ultimately did not end up taking.
- M. Analysis documents that are (were) used to establish the purchase price and delivered price for power and energy purchased by Mohave.
- N. Documentation of all bids for power and energy purchased by Mohave.
  - N.1 Competitive bid solicitations and selection documents.
  - N.2 On Peak and Off Peak prices
  - N.3 Documentation of power suppliers and prevailing prices in the regional market that were not solicited.
- O. Reconciliations of month by month power cost summaries to the annual audit summaries
  - O.1 Requires close review of summaries published in the Cooperative's annual audit report to correspond to month by month purchase summaries.
- P. Documentation of daily-weekly-monthly indexes of Mohave's potential power suppliers and documents that detail the changes in the composition of the indexes or the potential power suppliers.
  - P.1 Mead Index
  - P.2 Palo Verde Index
  - P.3 Any other provider index that may evolve
- Q. Documentation regarding current and new potential suppliers at the Hub, including Western and ACES suppliers at the Hub who are or will become potential suppliers of purchased power for Mohave
  - Q.1 Document statements regarding Hub purchases
- R. Spot Market price history for the regional market that is accessible to Mohave (Mead and Palo Verde)
  - R.1 On Peak and Off Peak energy prices by supplier
  - R.2 Estimated transmission service prices by supplier
- S. Documentation of Opinions on forward markets at least annually

**MOHAVE ELECTRIC COOPERATIVE, INC.**  
**DOCKET #E-01750A-11-0136 DECISION #73352**  
**PURCHASED POWER & FUEL COST ADJUSTOR**  
**BANK BALANCE REPORT FA-1**  
**FOR THE MONTH OF ( ) 2013**

Line		PPA 1	PPA 2	Total
1. Ending Bank Balance From Previous Month: Over-coll bal (negative); Under-coll bal +positive	\$			<u>-</u>
2. Jurisdictional Sales This number should be the same as the number listed on FA-3, labeled "Total Sales" (KWH)	kWh	-	-	<u>-</u>
3. Actual Cost of Purchased Power Attach copies of invoices to support this number	\$			<u>-</u>
4. Unit Cost of Purchased Power (Line 3/Line 2) Carry out SIX decimal places	\$/KWH			<u>#DIV/0!</u>
5. Authorized Base Cost of Purchased Power: Per Decision No. 73352 dated 9/1/2012	\$/KWH			<u>0.087701</u>
6. Authorized Purchased Power Adjustor: PPA 1: Per Decision No. 73352 dated: 9/1/2012	\$/KWH	-		<u>-</u>
7. Total Rate Collected From Customer: (Line 5 + Line 6)	\$/KWH			<u>0.087701</u>
8. Incremental Difference Between Authorized and Actual Recovery (Line 4 - Line 7)	\$/KWH			<u>#DIV/0!</u>
9. Net Change to Bank Balance (Line 2 x Line 8) If Line 4 is greater than Line 7 - under collected balance If line 4 is less than Line 7 - over collected balance ()	\$			<u>#DIV/0!</u>
10. Adjustments to Bank Balance Itemize all adj. - Detail for Staff Review on FA-1A	\$			<u>-</u>
11. Ending Bank Balance Balance (Line 1) + Net Change (Line 9) + Adjustments (Line 10 & 11)	\$			<u>#DIV/0!</u>

FA1/01/2013

**CONFIDENTIAL**

[illegible]

MOHAVE ELECTRIC COOPERATIVE, INC.  
DOCKET #E-01780A-11-0136 DECISION #73362  
ADJUSTMENTS TO PPA REPORTING FA-3  
FOR THE TWELVE MONTHS ENDING  
12/31/2013

CONFIDENTIAL	Dec:Priority	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b><u>Purchased Power - \$</u></b>														
AEPCO														-
PowerEx														-
2nd Supplier - WAPA purchased for us														-
3rd Supplier -														-
WAPA Ancillary Service														-
WAPA Admin Charge														-
AES Admin Charge / (Credit)														-
AES Energy Exchange - Hydro														-
AES Energy Exchange - Thermal														-
AES Purchases w/adjustments														-
Other (WSPP)														-
Other (Fuel Bank Reporting)														-
Less: Own Usage														-
Subtotal (Power Supply)														-
Transmission-S.W. Transco														-
Transmission-Firm Transm. Svc WAPA														-
Trans for Sales														-
Other Expenses (Consultants, employees, & Legal)														-
Total (Power Sup + Trans)		-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Sales to AES inc. OATT														-
Less: Energy Exchange to AES		-	-	-	-	-	-	-	-	-	-	-	-	-
Purch Power for PPA														-
Adjustments to Bank Balance		-	-	-	-	-	-	-	-	-	-	-	-	-
<b><u>kWh Purchased</u></b>														
AEPCO														-
PowerEx														-
2nd Supplier - WAPA purchased for us														-
3rd Supplier -														-
AES Energy Exchange - Hydro														-
AES Energy Exchange - Thermal														-
AES Purchases														-
Other (WSPP)														-
Total		-	-	-	-	-	-	-	-	-	-	-	-	-
Less:		-	-	-	-	-	-	-	-	-	-	-	-	-
Remainder		-	-	-	-	-	-	-	-	-	-	-	-	-
<b><u>kWh Sales, non-jurisdictional</u></b>														
AES Sales														-
OATT Trans for Sales														-
AES Energy Exchange		-	-	-	-	-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-	-	-	-	-
<b><u>kWh Sales, Jurisdictional</u></b>														
Residential														-
Irrigation														-
Commercial Small														-
Commercial Large														-
Lighting Service		-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total kWh Sold		-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Security Lights		-	-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-
kWh Sold for PPA (1)		-	-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-

MOHAVE ELECTRIC COOPERATIVE, INC.  
DOCKET #E-01750A-11-0138 DECISION #73352  
ADJUSTMENTS TO PPA REPORTING FA-3  
FOR THE TWELVE MONTHS ENDING  
12/31/2013

CONFIDENTIAL	Dec:Priority	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Total Juris. kWh Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total KWH Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mohave Own Use kWh	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AVG COST	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Revenue-\$	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Irrigation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Small	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Large	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lighting Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PPA Under(Over)	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Total Revenue-\$	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Resi Avg \$/kWh	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
(1) Breakout for authorized midmonth PPA change	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PPA #1	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,704,335)
PPA #2	-	-	-	-	-	-	-	-	-	-	-	-	-	24,704,335
kWh Sold for PPA	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Line Loss (kwh)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
%Line Loss	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Irrigation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Small	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Large	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lighting Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Customers (Current Month & Prior Month)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Irrigation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Small	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Large	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lighting Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-